GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:5861
ANSWERED ON:03.05.2002
DEEMED CREDIT TO MANUFACTURER
SHEESH RAM SINGH RAVI

Will the Minister of FINANCE be pleased to state:

(a) whether a test check of records of 67 assesses in Ahmedabad-I, Bangalore-II and Surat-I Commissionerates of Central Excise engaged in the manufacture of processed fabrics using `grey fabric` purchased from outside, were allowed deemed credit of Rs. 73.40 crore between September, 1996 and December, 1998 despite the fact that `grey fabric` were not eligible inputs and exempt from duty;

(b) if so, whether allowing of deemed credit in these cases was not correct; and

(c) if so, the details of action taken in this regard against the persons concerned for permitting deemed credit and against superior authorities for neglect in proper control over their juniors in ensuring no financial loss to the State?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI GINGEE N. RAMACHANDRAN)

(a) to (d) Yes, Sir. Test check of records of 67 assessees had been conducted by the audit. The objection raised by the Comptroller & Auditor General of India (C&AG) has not been admitted by the Government. Allowing of deemed credit was correct, as deemed credit is admissible in respect of yarn/fibre which though not directly used by the independent processors is nevertheless contained in grey fabrics, used in the manufacture of processed fabrics (finished goods).